

Banker-Customer Relationship



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1. Which of the following is an example of the subsidiary relationship of 'Principal and Agent' between a banker and a customer?

A The bank provides a safe deposit locker.

B The bank grants a housing loan.

C The customer asks the bank to collect a cheque drawn on another bank.

D The bank holds securities for a loan granted.

2. **The statutory obligation of a banker to maintain secrecy regarding a customer's account is NOT lifted in which of the following scenarios?**

A Under compulsion of law (e.g., Garnishee Order).

B When the customer's express or implied consent is given.

C When it is in the bank's interest to disclose (e.g., suing for loan recovery).

D When the customer is suspected of petty theft outside the bank premises.

3. A Garnishee Order served on a bank relates to which of the following?

A

An order to immediately freeze all accounts of a customer in all branches nationwide.

B

An order from the Reserve Bank of India to suspend banking operations.

C

An order issued by a court attaching the funds of a Judgment Debtor held in the bank.

D

A request from the Income Tax Department for account statements.

4. **The general lien exercised by a banker is considered an implied pledge on which type of property?**

A Goods stored in a warehouse for which the bank holds the receipt.

B Securities and other valuables entrusted to the bank by the customer in the ordinary course of banking business for a general balance of account.

C Assets given as specific security for a particular loan.

D Safe deposit locker contents.

5. Which legal concept allows a banker to automatically adjust a credit balance in one account against a debit balance in another account of the same customer, provided the accounts are in the same right and capacity?

A Appropriation of Payments

B Banker's Lien

C Subrogation

D Right of Set-off

6. In the context of the banker-customer relationship, the bank acts as a Bailee and the customer as a Bailor primarily in which of the following services?

A Discounting of Bills

B Providing Safe Deposit Lockers

C Issuance of Demand Drafts

D Granting a Cash Credit facility

7. The relationship between a banker and a customer when the bank advises the customer on investment options or portfolio management becomes one of:

A Debtor and Creditor

B Trustee and Beneficiary

C Advisor and Advisee

D Licensor and Licensee

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8. In the case of a Trust Account opened by a customer, the bank's relationship with the customer in respect of those funds is primarily that of:

A Debtor and Creditor

B Creditor and Debtor

C Trustee and Beneficiary

D Principal and Agent

9. The legal duty of a banker to honour a customer's cheque is an implied term of the contract, but this duty is conditional upon which of the following?

A

The cheque being in excess of the balance but the customer having a high net worth.

B

The cheque being correctly drawn, presented during business hours, and sufficient clear funds being available in the account.

C

The cheque being post-dated by more than two days.

D

The customer confirming the cheque details via a separate email.

10. A customer's account is a Joint Account (A or B). If A dies, what is the immediate action the bank must take regarding the operation of the account?

A

The bank must freeze the account immediately and await a succession certificate.

B

The account automatically converts to a Single Account in the name of B, and B can operate it normally.

C

The bank should allow B to continue operating the account based on the 'Survivorship' clause.

D

The balance must be immediately split and half paid to B and half to A's legal heir.

11. Which of the following conditions is mandatory for a banker to exercise the Right of Set-off between two different accounts of the same customer?

A Both accounts must be opened in the same branch.

B Both accounts must have been in existence for at least six months.

C Both accounts must be held by the customer in the same legal capacity/right.

D The accounts must have a debit balance of less than ₹50,000.

12. A non-banking entity that acts as an agent to the bank for providing banking services in unbanked or underbanked areas is known as a:

A Direct Selling Agent (DSA)

B Non-Banking Financial Company (NBFC)

C Business Correspondent (BC)

D Lead Bank Manager (LBM)

13. When a bank receives a cheque for collection drawn on a non-local bank, the bank initially acts as the customer's Agent. If the bank allows the customer to withdraw the funds before receiving final payment, the relationship in respect of the withdrawn funds temporarily shifts to:

A Trustee and Beneficiary

B Creditor and Debtor

C Bailor and Bailee

D Principal and Guarantor

14. Which of the following is a Special Feature that differentiates the banker's general lien from a general lien exercised by other creditors (e.g., factors, attorneys)?

A The banker's lien extends to all goods received by the bank.

B The banker's lien operates as an implied pledge with the right of sale.

C
The banker's lien is limited only to the specific loan for which the security was given.

D The banker's lien applies to funds held in a safe deposit locker.

15. When a customer instructs a bank to make periodic payments (e.g., insurance premiums or SIPs) from their account, the instrument is known as a:

A Letter of Credit

B Standing Instruction

C Bill of Exchange

D Promissory Note

16. What is the bank's appropriate action upon receiving notification of the death of a customer who holds a single account?

A Immediately transfer the balance to the account's nominee.

B Allow the account to be operated by any close relative.

C
Stop all operations (freeze) the account and verify the claim of the legal heir/nominee

D Levy a death charge and keep the account open for 6 months.

17. When a banker receives a Garnishee Order Nisi, the bank becomes the Garnishee. The order requires the bank to show cause why the funds in the Judgment Debtor's account should not be:

A Used to settle the bank's own dues.

B Paid over to the government treasury.

C Used to buy securities in the Debtor's name.

D Paid over to the Judgment Creditor.

18. The primary relationship between a bank and a customer when the bank issues a Letter of Credit on behalf of the customer (Importer) in favour of a third party (Exporter) is that of:

A Trustee and Beneficiary

B Creditor and Debtor

C Indemnifier and Indemnified

D Principal and Agent (or Issuing Bank and Applicant)

19. According to the Know Your Customer (KYC) guidelines mandated by the RBI, which of the following is an essential objective of the banker in determining the customer relationship?

A To decide the interest rate on the savings account.

B To determine the customer's political affiliations.

C
To prevent money laundering, terrorist financing, and other illegal activities.

D To ascertain the customer's religious background.

20. Which legal provision grants the banker the power to combine accounts and enforce the Right of Set-off?

A The Banking Regulation Act, 1949

B The Negotiable Instruments Act, 1881

C The Indian Contract Act, 1872 and Mercantile Law

D The Reserve Bank of India Act, 1934

21. The relationship between a banker and a customer when the customer obtains a term loan (e.g., Housing Loan) from the bank is predominantly that of:

A Debtor and Creditor

B Trustee and Beneficiary

C Creditor and Debtor

D Bailor and Bailee

22. The duty of the banker to maintain the secrecy of a customer's affairs can be waived by the customer. This can be done by:

A Giving a verbal consent to the Bank Manager.

B Giving express or implied consent, such as signing a declaration allowing disclosure to credit information companies.

C Simply applying for a new loan at another bank.

D Filing a police report against a third party.

23. A bank is bound to honour a customer's cheque until it receives notice of the customer's:

A Change of address

B Change of employer

C Death, insolvency, or notification of unsound mind

D Filing of an Income Tax Return

24. In the relationship between a banker and a customer, which of the following is considered a primary statutory obligation (enforced by law) of the bank?

A Providing free locker services to all customers.

B Following the rules prescribed by the Reserve Bank of India (RBI) and legal enactments like PMLA, IT Act.

C Offering personalised financial advice.

D Ensuring the customer's transactions are never tracked by any external agency.

25. What is the minimum age required for an individual in India to open and operate a bank account independently (not through a guardian)?

A 16 years

B 21 years

C 14 years

D 18 years

26. The bank's failure to maintain the duty of secrecy could lead to a breach of contract with the customer. However, disclosure is permitted in the interest of the bank when:

A The customer's total balance exceeds ₹1 crore.

B The customer is planning to leave the country.

C

The bank is suing the customer for recovery of a loan and needs to prove the customer's indebtedness in court.

D

The bank wants to use the customer's financial success in its marketing material.

27. The document that defines the specific terms and conditions for operating a Safe Deposit Locker and creates the relationship of Bailor/Bailee is known as the:

A Indemnity Bond

B Hypothecation Agreement

C Locker Agreement/Memorandum of Lease

D Guarantee Deed

28. Which of the following is an example of an unconditional order in writing addressed by the customer to the banker, making the banker a 'drawee' under the Negotiable Instruments Act?

A Fixed Deposit Receipt

B Letter of Guarantee

C Cheque

D Promissory Note

29. A bank receives an unconfirmed report that one of its customers has been declared insolvent (bankrupt). What is the bank's immediate and necessary action regarding the customer's account?

A

The bank must wait for a court order or official intimation before freezing the account.

B

The bank can continue to honour cheques until the balance is exhausted.

C

The bank should immediately exercise its right of set-off to combine all accounts.

D

The bank should transfer the entire balance to the official liquidator immediately.

30. The relationship between a customer and the bank in the case of a safe custody deposit (the customer deposits a sealed box of valuables with the bank for safekeeping) is legally classified as:

A Pledge

B Mortgage

C Hypothecation

D Bailment



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